



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** April 7, 2009

**TO:** Mayor and Councilmembers

**FROM:** Accounting Division, Finance Department

**SUBJECT:** Two-Year Extension Of A Professional Services Contract For Independent Audit Services For The City's Annual Financial Statements For The Fiscal Years Ending June 30, 2009, And 2010

### RECOMMENDATION:

That Council approve and authorize the Finance Director to execute the First Amendment to Santa Barbara City Agreement No. 21,950, a two-year extension of the professional services contract with Caporicci & Larson, Certified Public Accountants (Caporicci & Larson) for the audit of the City's annual financial statements for the Fiscal Years ending June 30, 2009, and 2010, for an amount not to exceed \$58,250 per year (\$116,500 total).

### DISCUSSION:

The City Charter requires that an independent audit of the City's annual financial statements be conducted each year. The nature and scope of the audit is to issue an opinion regarding the fairness of presentation of the City's (and Redevelopment Agency's) financial position for each year in accordance with generally accepted accounting principles. The audits to be performed will follow generally accepted auditing standards, U.S. General Accounting Office's Government Auditing Standards, Single Audit Act, and OMB A-133. An audit also includes assessing the accounting principles used, internal control structures, and estimates made by management, as well as evaluating the overall financial statement presentation.

The contract includes the City's Single Audit, which is an audit of expenditures of federal grants. This contract also includes compliance audits of the Communications Law Enforcement Technology System (CLETS) joint venture and the Airport Passenger Facility Charges Program.

Caporicci & Larson has conducted these audits for the past three fiscal years, during which time they have developed an understanding of the City's operations that has aided the firm in providing quality audit services. With that knowledge, the firm has been able to expand its audit efforts and provide observations that have assisted City staff. Caporicci & Larson has also demonstrated its ability to respond to requests of the City and its ability to deliver a quality product.

## Council Agenda Report

### Two-Year Extension Of A Professional Services Contract For Independent Audit Services For The City's Annual Financial Statements For The Fiscal Years Ending June 30, 2009, And 2010

April 7, 2009

Our recommendation to extend the audit contract for two years stems from several factors: Working with new auditors would result in many more hours of work to document and test the City's financial processes and internal controls. The audit also would require significantly more time for the new auditors to become familiar with our systems, records, policies, and procedures and to obtain confidence in Finance Department personnel. This additional work by the auditors would result in a significant increase in staff time needed to support the audit and would be a significant burden to the City, especially in light of current staff reductions proposed in the budget for the next fiscal year.

In the past, the City has not generally changed auditors after an initial three-year term. Continuity of the auditing firm provides efficiencies for staff and the auditors. The City's prior auditors performed their services for six years before the City changed to Caporicci & Larson. Changing auditors at this time would have a significant negative impact upon City staff, particularly the Accounting Division staff.

#### **BUDGET/FINANCIAL INFORMATION:**

Caporicci & Larson has acknowledged the difficult current financial climate of the City and has proposed a decrease in their fee for the proposed two-year extension. The proposed fee for the two-year extension of the audit contract will not exceed \$58,250 per year (\$116,500 total). This is a reduction of \$5,000 from the fee for the June 30, 2007 and 2008 auditing services. The cost of this contract extension has been included in the fiscal year 2009 adopted budget and the fiscal year 2010 proposed budget. No additional appropriations are required for this contract.

**ATTACHMENT:** First Amendment to Santa Barbara City Agreement No. 21,950

**PREPARED BY:** Rudolf J. Livingston, Accounting Manager

**SUBMITTED BY:** Robert Peirson, Finance Director

**APPROVED BY:** City Administrator's Office

First Amendment to  
SANTA BARBARA CITY AGREEMENT NO. 21,950

**AGREEMENT FOR PROFESSIONAL SERVICES**

THIS AGREEMENT, made and entered into on March 24, 2009 by and between  
the

**CITY OF SANTA BARBARA,**  
a municipal corporation, hereinafter  
referred to as "City";

and

Caporicci & Larson,  
hereinafter referred to as  
"Contractor",

**WITNESSETH:**

**Whereas,** the City requires the services of professionals having the appropriate background, training, and experience necessary to perform a financial statement audit.

**Now, therefore,** the City and Contractor agree that sections 1, 2 and 3 of Agreement No. 21,950 are amended to read as follows. A new section 16 is added to the Agreement to read as provided below. All other provisions of the original agreement remain in full force and effect without amendment.

**Now, therefore,** the City and Contractor agree as follows:

**1. CONTRACTOR'S SERVICES**

Contractor shall, as authorized and directed by the City, provide the personnel, supervision, equipment, supplies, services, administration, transportation, and other needs to complete the work described in Exhibit A of the original Agreement. However, the cost of the services described in Exhibit A of the original Agreement shall be amended to reflect the provisions of the proposal letter from Contractor dated March 10, 2009 attached as Exhibit to this First Amendment. Contractor is responsible for obtaining and administering the employment of personnel having the training, experience, licenses, and other qualifications necessary for the work assigned. Contractor is an independent contractor and shall not be considered an agent or employee of the City for any purpose. Contractor and its employees and agents are not entitled to any of the benefits of City employees. All project-related costs shall be assumed and paid by Contractor. This contract provides the exclusive means of payment and reimbursement of costs to Contractor by the City.

Such work shall include the following:

a. Contractor shall perform those services as described in Exhibit A to the original Agreement, attached thereto and incorporated therein by this reference, in full compliance with

adopted City policies and guidelines as provided to Contractor, and in compliance with all other applicable laws and regulations.

b. Contractor shall perform all services and prepare all documents in professional form, exercising the special experience, skill, and education required for such service.

c. Contractor shall provide finished documents of presentation quality that evidence the highest standards of investigation, professional review, public participation, and presentation.

## **2. CLAIMS AND PAYMENT**

a. City shall reimburse Contractor for personnel costs reasonably and necessarily incurred in the performance of required services according to the fees specified in Exhibit to this First Amendment. Any changes in personnel or in rates of compensation specified in Exhibit 1 must be made in writing and require the prior written approval by Robert Peirson, Finance Director.

b. City shall reimburse Contractor for other necessary costs including the actual costs of copies, printing, postage, shipping and documents expense, as well as the costs of other materials, equipment, services and supplies, as required to complete the work and approved by Rudolf Livingston, Accounting Manager, according to Exhibit A to the original Agreement, as modified by Exhibit to this First Amendment. Any costs associated with subcontractor work shall not include more than a 10% surcharge (of total cost of additional subcontractor work) for Contractor's supervision, administrative costs, profit and overhead.

c. Total compensation for services pursuant to this First Amendment, including all reimbursable expenses, shall not exceed the sum of One Hundred Sixteen Thousand Five Hundred Dollars (\$116,500) without the express written approval of the City of Santa Barbara. The total compensation for services under Agreement No. 21,950 and this First Amendment shall not exceed Three Hundred Two Thousand Seven Hundred Fifty Dollars (\$302,750) without the express written approval of the City of Santa Barbara.

d. Contractor shall request payment by submitting a claim to Rudolf Livingston, Accounting Manager, for review and approval. Each Contractor claim shall contain an itemized statement showing the hours spent on each task by which employees following the budget format included in Exhibit A to the original Agreement. Copies of subcontractors' invoices shall be attached to any Contractor claim seeking reimbursement for subcontractor expenses. Any claim requesting reimbursement for a direct expenditure (i.e., travel, postage, phones, etc.) in excess of \$100 shall include evidence of expenditure. A summary report of work completed shall be submitted with each claim.

e. Contractor shall submit claims for payment to the City on a monthly basis.

f. Contractor shall keep records concerning payment items on a generally recognized accounting basis and such records shall be maintained for a period of two (2) years following the completion of the work assigned. Such records shall be made available for copying, inspection or audit by City employees or independent agents during reasonable business hours.

## **3. SCHEDULE OF PERFORMANCE AND BUDGET**

Contractor shall satisfactorily perform the services described in Paragraph 1 of this Agreement within the Time Schedule provided on pages 55-58 of Exhibit A to the original Agreement, updated for the years 2009 and 2010. Contractor shall review the remaining work and remaining budget at least monthly (or at such other interval as directed by City staff) and shall confirm that completion may be expected within the budget approved or, in the alternative, give immediate notice when it shall first appear that the approved budget will not be sufficient,

together with an explanation for any projected insufficiency. Contractor shall immediately inform the City Finance Director of any problems, obstructions or deviations of which Contractor becomes aware affecting Contractor's ability to complete the project in a timely, efficient and competent manner.

**16. CITY SERVICE CONTRACTOR MANDATORY MINIMUM WAGE**

Chapter 9.128 of the Santa Barbara Municipal Code establishes a mandatory minimum wage for employees of contractors providing services to the City. In the performance of this Agreement, Contractor and any subcontractor, agent, or assignee of Contractor under this Agreement shall comply with the provisions of Chapter 9.128 of the Municipal Code as such Chapter existed upon the adoption of this Agreement or the last date this Agreement was amended.

**IN WITNESS THEREOF**, the parties hereto have executed this First Amendment of Agreement No. 21,950 for the preparation of a financial statement audit in triplicate as of the day and year first above written.

CITY OF SANTA BARBARA,  
a Municipal Corporation

Caporicci & Larson, Certified Public  
Accountants

By \_\_\_\_\_  
Robert Peirson, Finance Director

Signature Gary M. Caporicci  
Print Name GARY M. CAPORICCI

ATTEST:

Title SENIOR PARTNER

\_\_\_\_\_  
Cynthia M. Rodriguez, CMC  
City Clerk Services Manager

APPROVED AS TO CONTENT:

By \_\_\_\_\_  
Rudolf Livingston, Accounting Manager

APPROVED AS TO FORM:  
CITY ATTORNEY, Stephen P. Wiley

By \_\_\_\_\_  
Assistant City Attorney

BUSINESS TAX COMPLIANCE  
Certificate No. \_\_\_\_\_

By \_\_\_\_\_

Notices to City:

City Clerk  
P.O. Box 1990  
Santa Barbara, California 93102-1990

\_\_\_\_\_  
APPROVED AS TO INSURANCE:

\_\_\_\_\_  
Risk Manager

## EXHIBIT

Services under this First Amendment to City of Santa Barbara Agreement Number 21,950 shall be performed in the same manner as the services provided for the fiscal year ending June 30, 2008 as described in Exhibit A to the original Agreement. Contractor shall conduct the audits under this First Amendment according to the schedule of hours and fees specified on Page 14 and Pages 37-45 of Exhibit A to the original Agreement with the following adjustments to the fee schedule:

The above referenced services will be provided for the following fee:

Fee for audit services:

	FY 08 Audit Fee	Discount for FY 09 & FY 10	FY 09 & FY 10 Audit Fee
City of Santa Barbara	43,193	3,650	39,543
Redevelopment Agency	15,757	1,350	14,407
CLETS	2,500	-	2,500
Passenger Facility Charge	1,800	-	1,800
Total	<u>63,250</u>	<u>5,000</u>	<u>58,250</u>

The aforementioned reductions in the cost of the City and Redevelopment Agency audits are in addition to any discounts specified in Exhibit A to the original Agreement.